

The Role of Life Cycle Changes on Changes in Skill Intensity

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Abstract

In order to examine the worsening of inequality between workers of different skill levels over the past three decades and to further motivate the theoretical discussion on this issue, we have developed an improved decomposition methodology to better focus on the *interaction* of within- and between-industry changes of the relative skill intensity in U.S. manufacturing as well as various factors that influence these changes. This new decomposition methodology allows us to further examine changes in skill intensity by classifying plants annually into four categories: births, deaths, industry continuers, and industry switchers. In previous work, we find that there are offsetting changes amongst these groups for both within- and between-industry changes. In this paper, we analyze these relationships further using the NBER US Imports Data merged with internal, plant-level data from the U.S. Census Bureau's Longitudinal Research Database and the new Longitudinal Business Database. This further allows us to examine the impact of imports on changes in skill intensity within our subgroups. Using the internal Census data provides more detailed levels of industry classification (5-digit SIC product codes) than has been used in most previous work in this area. Finally, we examine whether regional variation is important. Our empirical conclusions are discussed in relation to the theoretical inference, as they enrich the debate concerning the sources of the inequality by justifying the skill-biased character of technical change.

Keywords: Skill Intensity, Skill-Biased Technical Change, Wage Inequality

JEL classification: F10, F16, E24, J21

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